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ST. CHARLES DISTRICT LIBRARY
ST. CHARLES, MICHIGAN

FINANCIAL STATEMENTS
MARCH 31, 2005

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name St. Charles District Library	County Saginaw
Audit Date 3/31/05	Opinion Date 6/13/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Ave.		City Bay City	State MI
Accountant Signature <i>Stewart J. Reid CPA</i>		ZIP 48707	Date 9/30/05

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INDEPENDENT AUDITORS' REPORT

June 13, 2005

Library Board
St. Charles District Library
St. Charles, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Charles District Library, St. Charles, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Library's basic financial statements as listed in the index. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the St. Charles District Library as of March 31, 2005, and the respective changes in financial position for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in Note 1, the Library has implemented a new financial reporting model, as required by the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

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WEINLANDER FITZHUGH

Library Board
St. Charles District Library
June 13, 2005
Page 2

The accompanying management's discussion and analysis and budgetary comparison information as noted in the index is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Weinlander Fitzhugh

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Our discussion and analysis of the St. Charles District Library's (Library) financial performance provides an overview of the Library's financial activities for the fiscal year ended March 31, 2005.

Using this Annual Financial Report

This annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the St. Charles District Library financially as a whole.

The *Government-wide Financial Statements* provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

The fund financial statements look at the Library's operations in more detail than the government-wide financial statements by providing information about the Library's general fund.

The following summarizes the presentation included in this annual financial report.

Management's Discussion and Analysis (MD&A) (Required Supplemental Information)

Basic Financial Statements

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

Budgetary Information for the General Fund (Required Supplemental Information)

Reporting the Library as a Whole

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Library's finances is, "Is the Library better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by private sector companies. All of the current year's revenues and expenses are taken into consideration regardless of when cash is received or paid.

These two statements report the Library's net assets as a way to measure the Library's financial position. The change in net assets provides the reader a tool to assist in determining whether the Library's financial health is improving or deteriorating. The reader will need to consider other nonfinancial factors such as facility conditions and inventory of books in arriving at their conclusion regarding the overall health of the Library.

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Reporting the Library's Most Significant Funds

Fund Financial Statements

The Library's fund financial statements provide detailed information about the most significant funds – not the Library as a whole. Some funds are required to be established by State law and by bond covenants. Other funds are established to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The general fund used by the Library is a governmental fund.

Governmental Funds

All of the Library's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available to spend in the near future to finance the Library's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Government-wide Financial Analysis

Financial position - The statement of net assets provides the perspective of the Library as a whole. Exhibit A provides a summary of the Library's net assets as of March 31, 2005.

	<u>Governmental Activities</u>
Assets	
Current and other assets	\$ 178,000
Capital assets - net of accumulated depreciation	<u>215,000</u>
Total assets	<u>393,000</u>
Liabilities	
Current liabilities	13,000
Long-term liabilities	<u>108,000</u>
Total Liabilities	<u>121,000</u>
Net Assets	
Invested in property and equipment - net of related debt	102,000
Restricted	27,000
Unrestricted	<u>143,000</u>
Total net assets	<u><u>\$ 272,000</u></u>

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Exhibit A, on the previous page, focuses on net assets. The Library's total net assets were \$272,000 at March 31, 2005. Capital assets net of related debt, totaling \$102,000, compares the original costs, less depreciation of the Library's capital assets to long-term debt used to finance the acquisition of those assets. The \$27,000 of restricted assets is reserved for capital projects.

The \$143,000 of unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

Results of operations - The results of this year's operations for the Library as a whole are reported in the statement of activities, which shows the changes in net assets for the year ended March 31, 2005. Exhibit B provides a summary of the Library's operations for the year. Since this is the first year the Library has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2004 is not available.

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Governmental
Activities

Exhibit B

Revenue

Program revenue:

Charges for services

\$ 4,000

Operating grants and contributions

45,000

General revenue:

Property taxes

132,000

Penal fines

30,000

State aid

7,000

Other

5,000

Total revenue

223,000

Function/Program Expenses

Library

194,000

Increase in Net Assets

\$ 29,000

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$194,000. Certain activities were partially funded by \$4,000 from those who benefited from the programs and by \$45,000 from Organizations that subsidized certain programs with grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with \$132,000 in taxes, \$30,000 in penal fines, \$7,000 in state aid and with our other revenues, such as interest and miscellaneous revenues.

The Library experienced an increase in net assets of \$29,000, mainly due to the receipt of a \$25,000 grant for the building project.

The Library's Funds

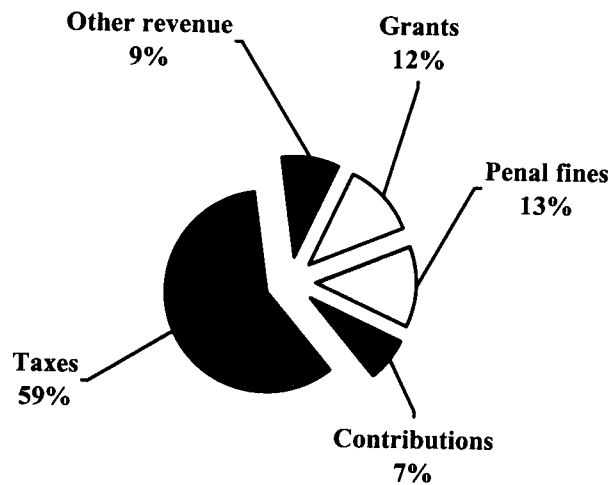
The Library uses the general fund to help it control and manage money for particular purposes. Looking at this fund helps the reader consider whether the Library is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Library's overall financial health.

The Library's governmental fund reported a fund balance of \$170,000, which is above last year's total of \$133,000. The schedule below indicates the fund balance and the total change in fund balances as of March 31, 2005 and 2004.

	<u>Fund Balance</u> <u>March 31, 2005</u>	<u>Fund Balance</u> <u>March 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
General fund	<u>\$ 170,000</u>	<u>\$ 133,000</u>	<u>\$ 37,000</u>

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

The graph below details the major sources of the Library's revenues.



The chart below compares current year revenues with last year.

<i>Revenues by Function</i>	2005	2004	Percentage Change
Taxes	\$ 132,000	\$ 130,000	2%
Grants	26,000	0	100%
Penal fines	30,000	37,000	-19%
Contribution	15,000	11,000	36%
Other	21,000	15,000	40%
Total	<u>\$ 224,000</u>	<u>\$ 193,000</u>	<u>16%</u>

Revenues are up \$31,000 mainly due to the Library receiving a \$25,000 grant for the building project.

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

General Fund Budgetary Highlights

Over the course of the year, the Library revises its budget to reflect changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the Library's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- The original budget was increased \$15,000 for building maintenance.

Capital Assets

At March 31, 2005, the Library had \$1.5 million invested in capital assets, including land, buildings and improvements, equipment, books and periodicals. This amount represents a net decrease (including additions and disposals) of \$11,000 or 5%, from last year.

	Governmental Activities	
	2005	2004
Land	\$ 130,000	\$ 130,000
Buildings and improvements	193,000	193,000
Equipment	93,000	93,000
Books, periodicals, etc.	1,082,000	1,057,000
	<hr/>	<hr/>
Total capital assets	1,498,000	1,473,000
	<hr/>	<hr/>
Less accumulated depreciation	1,283,000	1,247,000
	<hr/>	<hr/>
Net capital assets	<u>\$ 215,000</u>	<u>\$ 226,000</u>

We present more detailed information about our capital assets in the notes to the financial statements. We anticipate acquiring approximately \$20,000 of books and periodicals next year.

ST. CHARLES DISTRICT LIBRARY
Management's Discussion and Analysis
For the Year Ended March 31, 2005

Debt

At the end of this year, the Library had \$112,000 in long-term debt outstanding versus \$116,000 in the previous year – a change of 3 %. The debt is summarized as follows:

	<u>2005</u>	<u>2004</u>
Notes payable	<u>\$ 112,000</u>	<u>\$ 116,000</u>

Factors Expected to Have an Effect on Future Operations

The Library is seeking a millage approval in February 2006 for the construction of a new facility of approximately \$1,700,000.

Contacting The Library's Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, contact the Library's Office at 104 W. Spruce St., St. Charles, Michigan 48655-1238.

ST. CHARLES DISTRICT LIBRARY
Statement of Net Assets
March 31, 2005

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and investments (partially restricted)	\$ 167,819
Taxes receivable	10,418
Capital assets less accumulated depreciation of \$1,283,244	<u>214,690</u>
Total Assets	<u>392,927</u>
 <u>Liabilities</u>	
Accounts payable	8,284
Noncurrent liabilities:	
Due within one year	4,843
Due in more than one year	<u>107,482</u>
Total Liabilities	<u>120,609</u>
 <u>Net Assets</u>	
Investment in capital assets net of related debt	102,365
Restricted	26,671
Unrestricted	<u>143,282</u>
Total Net Assets	<u><u>\$ 272,318</u></u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Statement of Activities
For the Year Ended March 31, 2005

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Assets</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary government:				
Library	<u>\$ 193,956</u>	<u>\$ 4,086</u>	<u>\$ 45,107</u>	<u>\$ (144,763)</u>
General Revenues:				
Taxes				132,224
State aid				7,151
Penal fines				30,297
Interest earnings				219
Other				4,461
Total general revenues				<u>174,352</u>
Change in net assets				29,589
Net assets - beginning of year				<u>242,729</u>
Net assets - end of year				<u>\$ 272,318</u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Governmental Funds
Balance Sheet
March 31, 2005

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 167,819
Taxes receivable	<u>10,418</u>
Total assets	<u>\$ 178,237</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>Liabilities</u>	
Accounts payable	<u>\$ 8,284</u>
<u>Fund Balances</u>	
Reserved for capital projects	26,671
Unreserved	<u>143,282</u>
Total fund balance	<u>169,953</u>
Total liabilities and fund balance	<u>\$ 178,237</u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Reconciliation of Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2005

Total fund balance - governmental funds \$ 169,953

Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds:

Cost of the capital assets	1,497,934
Accumulated depreciation	(1,283,244)

Long-term liabilities are not due and payable in the current
period and are not reported in the funds:

Notes payable	<u>(112,325)</u>
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Total net assets - governmental activities	<u><u>\$ 272,318</u></u>
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See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended March 31, 2005

	<u>General Fund</u>
<u>Revenues</u>	
Property taxes:	
St. Charles Township	\$ 50,452
Swan Creek Township	50,146
Brant Township	31,626
Penal fines	30,297
State aid	7,151
Contributions:	
Eva Earle Trust	5,081
Building	8,325
Other	1,559
Memorials	4,142
Book fines and fees	4,086
Grants	26,000
Interest	219
Other	4,461
	<hr/>
Total revenues	223,545
	<hr/>
<u>Expenditures</u>	
Library	177,942
Debt service:	
Principal	3,875
Interest	5,218
	<hr/>
Total expenditures	187,035
	<hr/>
Excess of revenues over expenditures	36,510
	<hr/>
Fund balance - beginning of year	133,443
	<hr/>
Fund balance - end of year	<u>\$ 169,953</u>

See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2005

Net change in fund balance - total governmental funds	\$ 36,510
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation:

Depreciation expense	\$ (35,839)	
Capital outlay	<u>25,043</u>	(10,796)

Repayment of bond principal is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt).

	<u>3,875</u>
--	--------------

Change in net assets of governmental activities	<u><u>\$ 29,589</u></u>
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See accompanying notes to financial statements.

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the St. Charles District Library conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant accounting policies used by the St. Charles District Library:

Reporting Entity

The St. Charles District Library (Library) was organized under Public Act 164 of 1955 on April 1, 1978. The Act was repealed in its entirety in 1989 and is now governed by the provisions of the District Library Establishment Act, Public Act 24 of 1989. Swan Creek, Brant, and St. Charles Township, the three townships that agreed to jointly establish the Library, each appoints two council members to serve as Library trustees.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, state shared revenues, and other items not properly included among program revenues are reported instead as general revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose,

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major fund:

General Fund - The General Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the library. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances”.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include land, buildings, equipment and books, periodicals, etc. are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add value or materially extend asset lives are not capitalized.

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	30 years
Equipment	5 to 10 years
Books, periodicals, etc.	5 years

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates – The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Accounting Change – Effective April 1, 2004, the Government implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Government's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Government's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided. Statement 34 requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted.

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental net assets at April 1, 2004 have been restated as follows:

Total fund equity per 2004 financial statements	\$ 133,443
Capital assets owned by the Library	1,472,891
Accumulated depreciation on capital assets	(1,247,405)
Notes payable	<u>(116,200)</u>
Governmental net assets at April 1, 2004, as restated	<u><u>\$ 242,729</u></u>

NOTE 2 – BUDGETS

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds of governments prior to the expenditure of monies in a fiscal year.

St. Charles District Library follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Library's director submits to the Board a proposed budget prior to April 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations. Budgets are adopted to the functional level.
4. Appropriations lapse at year-end. These appropriations are re-established at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board) for the General Fund is presented as Required Supplemental Information.

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Library to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Library is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rates within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The Library's deposits are in accordance with statutory authority.

At year-end, the Library's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash	\$ 167,819
Investments	0
	<u>\$ 167,819</u>

The breakdown between deposits is as follows:

Bank deposits (checking, savings and certificates of deposit)	\$ 167,669
Petty cash and cash on hand	<u>150</u>
Total	<u>\$ 167,819</u>

The bank balance of the Library's deposits is \$169,365, of which \$100,000 is covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

Category 1 – Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;

Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and

Category 3 – Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the Library for the year was as follows:

	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 130,000	\$ 0	\$ 0	\$ 130,000
Capital assets being depreciated:				
Buildings and improvements	193,310	0	0	193,310
Equipment	92,661	0	0	92,661
Books, periodicals, etc.	1,056,920	25,043	0	1,081,963
Subtotal	<u>1,342,891</u>	<u>25,043</u>	<u>0</u>	<u>1,367,934</u>
Less accumulated depreciation for:				
Buildings and improvements	193,310	0	0	193,310
Equipment	81,524	2,585	0	84,109
Books, periodicals, etc.	972,571	33,254	0	1,005,825
Subtotal	<u>1,247,405</u>	<u>35,839</u>	<u>0</u>	<u>1,283,244</u>
Net capital assets being depreciated	<u>95,486</u>	<u>(10,796)</u>	<u>0</u>	<u>84,690</u>
Governmental activities, total capital assets - net of depreciation	<u>\$ 225,486</u>	<u>\$ (10,796)</u>	<u>\$ 0</u>	<u>\$ 214,690</u>

Depreciation expense was charged to functions as follows:

Governmental activities:

 Library \$ 35,839

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 5 - LONG-TERM DEBT

The following detail shows what is owed by the Library.

	<u>Beginning Balance</u>	<u>Increase (Decrease)</u>	<u>Ending Balance</u>
Mortgage note payable to bank, due in monthly installments of \$435, including interest at 5.0% to July 1, 2007 which at that time the remaining balance is to be paid.	\$ 47,737	\$ (2,120)	\$ 45,617
Mortgage note payable to bank, monthly installments of \$400, including interest at 4.5% to April 1, 2006, which at that time the remaining balance is to be paid.	<u>68,463</u>	<u>(1,755)</u>	<u>66,708</u>
Total	<u>\$ 116,200</u>	<u>\$ (3,875)</u>	<u>\$ 112,325</u>

Long-term obligation activity can be summarized as follows:

	<u>Balance April 1, 2004</u>	<u>Additions</u>	<u>Retirements and Payments</u>	<u>Balance March 31, 2005</u>	<u>Amount Due Within One Year</u>
Bonds	<u>\$ 116,200</u>	<u>\$ 0</u>	<u>\$ (3,875)</u>	<u>\$ 112,325</u>	<u>\$ 4,843</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 4,843	\$ 5,177
2007	68,033	2,302
2008	<u>39,449</u>	<u>651</u>
Total	<u>\$ 112,325</u>	<u>\$ 8,130</u>

ST. CHARLES DISTRICT LIBRARY
Notes to Financial Statements
For the Year Ended March 31, 2005

NOTE 6 - RESTRICTED NET ASSETS/RESERVED FUND BALANCE

Restricted net assets consist of cash and investments reserved for capital projects.

ST. CHARLES DISTRICT LIBRARY
 Required Supplemental Information
 Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2005

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variances with</u>
<u>Revenues</u>				
Property taxes:				
St. Charles Township	\$ 48,646	\$ 48,646	\$ 50,452	\$ 1,806
Swan Creek Township	51,276	51,276	50,146	(1,130)
Brant Township	31,555	31,555	31,626	71
Penal fines	30,000	30,000	30,297	297
State aid	6,700	6,500	7,151	651
Contributions:				
Eva Earle Trust	4,000	4,000	5,081	1,081
Building	600	600	8,325	7,725
Other	3,000	3,000	1,559	(1,441)
Memorials	3,000	3,000	4,142	1,142
Book fines and fees	4,400	4,700	4,086	(614)
Grants	0	0	26,000	26,000
Interest	500	500	219	(281)
Other	3,400	3,300	4,461	1,161
Total revenues	<u>187,077</u>	<u>187,077</u>	<u>223,545</u>	<u>36,468</u>
<u>Expenditures</u>				
Library	<u>187,077</u>	<u>202,318</u>	<u>187,035</u>	<u>15,283</u>
Total expenditures	<u>187,077</u>	<u>202,318</u>	<u>187,035</u>	<u>15,283</u>
Net change in fund balance	0	(15,241)	36,510	51,751
Fund balance - beginning of year	<u>133,443</u>	<u>133,443</u>	<u>133,443</u>	<u>0</u>
Fund balance - end of year	<u>\$ 133,443</u>	<u>\$ 118,202</u>	<u>\$ 169,953</u>	<u>\$ 51,751</u>